

STERLITE TECHNOLOGIES LIMITED
Q4FY10 EARNINGS CALL COMMENTARY

Date: April 22, 2010

Speakers: Dr Anand Agarwal, CEO & Director

Mr Anupam Jindal, CFO

Dr Anand Agarwal:

“Good afternoon friends, I welcome you to the Sterlite Technologies conference call. I do hope you have had an opportunity to look at our FY2010 results that were declared earlier today.

As a Company, we have achieved several noteworthy milestones during the previous financial year and let me just list a few.

Despite the turbulent global economic situation throughout the year, we have achieved the highest ever sales volumes for all our businesses, power conductors, optical fibers, communication cables as well as telecom solutions.

We have added good Tier-I clients for all the businesses across geographies and we made a strong entry into the Indian private sector for our power business.

We start the new financial year with a strong order book of almost Rs 2400 Crores which is the highest ever and the bulk of this would be executed in FY2011. The most significant aspect of this order book is the contribution by the government utilities like Power Grid Corporation and State Transports. We have almost over Rs.900 Crores of orders in hands from this segment that bodes a healthy sign for our power conductor portfolio.

Additionally with a ramp-up of our optical fiber manufacturing capacity we have also entered into strategic long term supply agreements and frame contracts with clients in India, China and Southeast Asia.

We have enhanced our intellectual property portfolio with 8 more patterns granted taking our total up to 23.

Anticipating our customer’s future needs, we have further enhanced our product portfolio with the introduction of unique application based products like optical ground wire or OPGW cables, high ampacity conductors, specialized data cables and optical fiber products that are optimized for fiber-to-the-home solutions.

Sterlite also won a number of awards during the year, the Asia Pacific Entrepreneurship Award, Deloitte Technology Fast 500 Asia Pacific and Employer Branding Award, The Voice & Data telecom cables Award as well as the WebAward for the Sterlite Website.

Amongst the other noteworthy milestones achieved, our market cap, as you would have noticed that has increased by almost 500% in the past one year. And Sterlite stock has been considered as one of the Top 3 outperforming stocks of the country in 2009.

We also have some good successes with strategic initiatives that have paved the way for our future growth.

Sterlite has won a contract for the country’s first ultra mega power transmission project on a model similar to Power Grid Corporation. Sterlite would build, own and

operate a transmission network of two 400 kV double circuit lines, approximately 430 kilometers in the Indian states of Assam, Bihar and West Bengal.

Last year we had announced the launch of the *Sterlite Fiber Powered Home* Solution, targeted at telcos and real estate developers, we are pleased to announce that we have received our first contract to build, own and operate fiber-to-the-home network for 3500 homes in a large residential complex in Chennai. With our solution, these residents would be able to experience the true potential of blazing speed broadband through exciting and interactive applications like videoconferencing, video surveillance, video on demand, Voice over IP and much more.

With our balanced approach to reduce dependence on a single customer segment we are pleased to inform you that FY2010 saw a good share of business coming from the non-government or private segment as well. We believe that with a strong growth momentum in both the telecom and power sectors, the private sector is poised to play a significant role in investment and expansion of the networks in commitment to invest and expand their networks on both the telecom and power verticals.

I would like to share with you our assessment of the robust industry opportunities landscape that will determine Sterlite future business growth.

As you may be aware according to the India's 11th and 12th 5-Year Plan, investments earmarked for telecom and power infrastructure are more than 45% of the total infrastructure investment. There are very exciting

examples from across the world wherein development of cross country infrastructures that support high capacity electricity and high capacity data transfer have acted as a springboard for much higher GDP growth in the country. The strong focus by the Indian Government on these sectors is definitely a move in the right direction.

Speaking about high capacity data networks, the global demand for optical fiber has been growing continuously for the last 20 years and the fiber market was at all time high of 180 million kilometers in 2009.

Globally fiber-to-the-home is being increasingly demanded by subscribers and enterprises alike. Governments and telcos are planning major investment. Australia, Egypt, Malaysia, Belgium, Canada, UAE the list goes on and on. The US Government has started deploying the similar plan for building out fiber networks in rural and semi-urban areas. The Australian Government is looking at an investment of almost \$40 billion to be invested in the next generation National Broadband Fiber Project.

In India today, building of fiber optic cable networks is not the sole realm of telecom companies. New networks are being built by the railways (as you might have heard in the Railway Budget), Roadways, Oil & Gas, Defense, Real Estate and many more sectors.

With exciting developments like 3G and fiber-to-the-premises, we see definite signs that India's new age communication is going to be driven by a high fiber diet.

Taking a cue from the largest fiber market in the world, China that consumes almost 7 times more volume of fiber than India, we see a clear opportunity for the Indian market to grow further from the 4th largest fiber consumer in the world to at least the 3rd largest market in the world overtaking Japan.

All of the above are signs and indicators that affirm our belief that there is still not enough fiber in the world and with the requirements in bandwidth increasing year-on-year further deployment of fiber is going to increase.

We see this sustained growth impetus in the power sector as well, wherein we find that utilities across the world are trying to find improved ways of delivering generated electricity to their customers to cut down on transmission and operational losses. This has resulted in investment for strengthening or upgrading of the transmission grid in most of the markets where we have a presence.

Development of efficient power transmission networks is the need of the hour, aimed to alleviate the demand from today's power utility systems. The evident challenge is to transmit more power over existing lines utilizing the existing right of way and development of more efficient power conductors for new lines.

We have progressively demonstrated to utilities, the benefits of deploying higher rated conductors that can carry more current. For utilities, the revenues benefits are immediately visible. They will be able to make more revenue for every km expense of right of way that they currently do. Also with the deployment of higher ampacity and low-resistance conductors utilities can

evacuate more power with lesser loss during transmission.

Another trend that we see evolving is the growing need to make power grids smarter. We are helping utilities to do this as well so a recent addition in our product portfolio, OPGW cables that are enabling utilities to gather more information about their networks and its usage, as well as provide communication abilities while serving its basic purpose of grounding.

A large number of power generation projects are coming up in all regions across the globe. While hydro and thermal powers are still prevalent in emerging markets, the developed markets are seeing more constructions of alternate power, solar farms, wind farms, tidal power plants as well as nuclear power plants. Whatever the power generation methods, all of these are being built in remote locations thus the evacuation of power requires a good transmission grid to be built.

Also with the privatization in the power generation sector in India, for every new power generation project in the country, NTPC is a legacy incumbent generation company in India would have to compete with private players. And we are anticipating a similar story to unfold on the power transmission side as well.

Going by the 12th 5-Year Plan, every year a very significant volume of transmission project would be bid in the country and this presents a huge opportunity in the space of power transmission network ownership. We are very excited by the numerous opportunities that we see developing in infrastructure, power and telecom that

would increasingly focus on cross-country, high capacity electricity and high capacity data transfer.

As innovators and market leaders in the Indian telecom and power space we would continue to play an integral role in building the transmission highway of the country and contributing our bit in connecting every home across the planet. I would now hand you over to Anupam, who would take you through the financial highlights of the year.”

Mr Anupam Jindal

“Thank you Anand. Good afternoon friends. I do hope you have had an opportunity to look at our FY2010 results that we declared earlier today.

We closed the financial year 2010 with revenues of Rs.2432 Crores which is a growth of 6% over the last years’ revenue of Rs.2289 Crores. EBITDA and net profit for the year were Rs.404 Crores and Rs.246 Crores respectively. This translated into an EBITDA growth of about 68% and net profit growth of about 173% for this year against the last year.

The growth in the revenues appears flat; which is on account of the changing mix of the business and lower realizations on power business prompted by lower metal prices last year.

However both our core business segments of Power Transmission Conductors and Optical Fiber have shown significant volume growth this year. And this has resulted in much better improved margins for the company. The EBITDA margins have shown a marked

improvement from 10.5% last year to about 16.6% this year.

Revenues from international sales over 55 countries in FY2010 accounts for Rs.554 Crores which is 23% of net revenues in FY2010 and this has been achieved with the right mix of repeat orders from current customers and addition of new eminent global customers. Our international sales were in right mix of growing economies and the more developed economies. Our major exports were in China about 31% of export revenues, Africa about 25% of export, and Middle East about 23% of export. And for the first year Europe established a significant contribution of about 14% of our export revenue driven by our entry into British Telecom.

We had announced a stock split and bonus this year and consequently our diluted EPS for the full year stands at Rs.7.5 against Rs.2.8 in the last year. We are also pleased to announce that the Board has recommended a dividend of 25% for the year, subject to approval from shareholders. This corresponds to doubling of the dividend as compared to the last year.

To update you on our segmental performance - for our power transmission business, the revenue grew to Rs.1525 Crores in FY2010 from Rs.1473 Crores last fiscal.

EBITDA showed good growth of 57% from Rs.131 Crores in the last year to Rs.206 Crores in the current year. This improvement has been on account of execution of some good margin orders last year and reduced cost of manufacturing per ton in this business.

We are now running our conductor facilities in Silvassa and Haridwar at the fully expanded capacity of about 160,000 metric tons per annum. Based on robust market demand indicators we have proposed to the Board a further expansion of capacities to 200,000 tons from our current capacity of about 160,000 tons. At 200,000 tons we believe we would be the largest integrated manufacturer of aluminum power conductors in the world. Our Board is considering the proposal and we would share the decision with you in the due course.

To update you on our segmental performance for Telecom Products and Solution business - revenue grew to Rs.907 Crores in the current year, which is a growth of about 11% year-on-year. Revenue contribution from our optical fiber business to the overall telecom revenue has increased as we are consciously reducing our focus on the low margins copper cable business. Our telecom solution business saw increased revenue during the year and we believe that there is much more potential that we can harvest from this business.

EBITDA for our telecom business registered a very robust growth and closed at Rs.198 Crores, this was 81% over last year and translated into an EBITDA margin of about 22% for the telecom as a whole. The changing business mix within our telecom business vertical coupled with operational efficiencies has resulted in this margin expansion.

Coming to the balance sheet, we are pleased to report that our debt position as on 31st March 2010 is about Rs.360 Crores and we have cash and cash equivalent of about Rs.310 Crores. The return on capital employed has improved significantly to 26% on account of higher

profitability with a lower cost of incremental CAPEX, which shows a better utilization of the capital employed.

I would also like to update you on our ongoing capacity projects, the Company's capacity expansion projects for optical fibers, cables and power conductors are well on track. Our latest expansion in the power conductor segment has taken our conductor capacity from 115,000 tons per annum to 160,000 metric tons per annum and with the prospect of further expansion at 200,000 tons, Sterlite would be the largest manufacturer of power conductor in the world. The optical fiber project is currently on to increase capacity from 12 million kilometers to 20 million kilometers per annum. At this capacity, Sterlite would be amongst the largest global manufacturer of optical fiber by FY12. Our optical fiber cable capacity is also been simultaneously increased from 5 million to 6 million kilometers."

Dr Anand Agarwal:

"I would like to thank everyone for attending this call and I sincerely hope that we have been able to answer your queries. We encourage you to continue to dialogue with our IR team, to address any individual queries that you may have.

As we have mentioned, we have had severally good achievements in the last year that have paved the path for our future growth, we are also confident that the current year will bring in lots of good news and the momentum that we have set in the last few quarters will continue.

We do hope to continue our association and dialogue in the future. Once again I would like to thank you for your time and for attending this call." - END -